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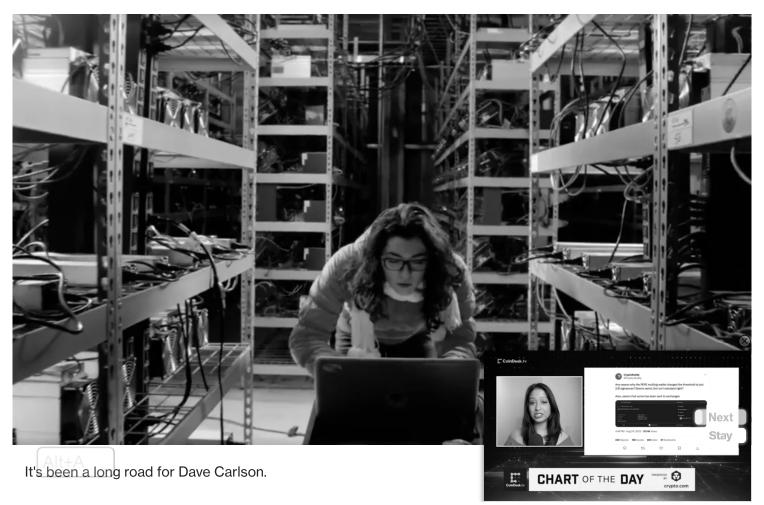
Tokenized Bitcoin Mines? New Startup Giga Watt Unveils ICO Plan

Dave Carlson, founder of bitcoin mining enterprise MegaBigPower, is riding the ICO wave and selling tokens to access his latest mining venture.

By Pete Rizzo

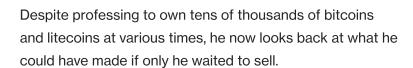
May 11, 2017 at 3:00 a.m. PDT Updated Sep 11, 2021 at 6:18 a.m. PDT

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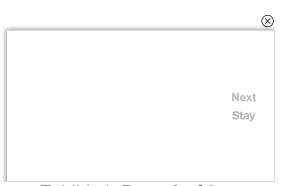
One of the world's more recognizable bitcoin miners, Carlson gained global attention for his multimillion-dollar mining venture MegaBigPower during the bitcoin boom of 2014 only to almost lose the business when would-be franchise partners failed to come through on hardware purchases.

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"I worked for free for a year," Carlson said. "Sometimes, that's what you have to do to survive. People appealed to me to trust them and you get taken advantage of."

But Carlson now sees new opportunity in the booming market for initial coin offerings (ICOs), the process by which technologists are creating cryptographically unique data sets, linking them to a blockchain and selling them to investors as a fundraising tool.



In this seemingly ever-expanding market, Carlson is launching a new venture. Called Giga Watt, the startup aims to fulfill Carlson's long-time goal of democratizing access to bitcoin mining, this time by enabling investors to buy a stake in his company's services.

At a high level, the idea is that Giga Watt is tokenizing the power infrastructure that supports the facilities that host and operate equipment.

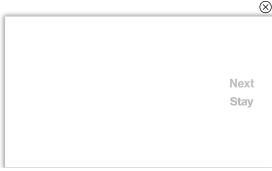
"We're building and reselling crypto-mines. If you want a big mine, you buy a lot of tokens. If don't want to buy miners, then you let us put somebody else's miners in your spot and get paid. You don't have to concern yourself with how blockchains work," Carlson explained.

He told CoinDesk:

"You can look at it as you're acting as a power landlord, and people will pay to rent your power infrastructure."

In this way, the idea is the latest and perhaps one of the more ambitious attempts to capitalize on the access to capital provided by the ICO mechanism. Though, it's important to note similar ventures so far have produced varying results for their initiators.

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For example, when bitcoin pioneer Charlie Shrem sought to tokenize shares in companies this year, the ICO was eventually scrapped after months of promotion. Others have fared better with the model, with startup Gnosis raising over \$12m in just under 15 minutes by selling 5% of the tokens that will power its in-development prediction market.

According to Carlson, Giga Watt has raised over \$1m from undisclosed investors to build out the facilities that would be used as part of the initiative.

Terms of the deal

Scheduled to open to the public on 2nd June, Carlson said that Giga Watt is already exploring a pre-sale (and a pre-pre-sale) of its token while building up his team to offer support.

For Carlson, the idea is aimed at solving a long-standing conceptual issue for the bitcoin network – namely, that the economics that make bitcoins valuable have created economies of scale that made it impossible for smaller miners to compete for the rewards produced by the protocol.

At the heart of the issue is that, many enthusiasts believe decentralized access to the network is the key differentiator of bitcoin when compared to the centralized online money services it was designed to compete against.

In this way, Carlson sees Giga Watt as a managed services provider selling its professional abilities and the cheap power resources that make Washington state one of the more profitable areas of the world to operate equipment.

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Those who participate in the sale, Carlson said, will have funds placed in escrow until Giga Watt delivers on supplying the power infrastructure. Giga Watt will, in turn, invest the funds it makes into its own mining capabilities.

"We would have facilities that are occupied for token holders, then we have facilities that are wholly owned by Giga Watt," Carlson explained.

Uncertain economics

For now, even Carlson is a bit unclear on how the economics of the model will play out.

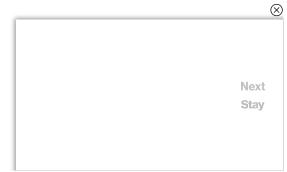
While the idea is to sell the tokens for \$1 at launch, he conceded that it's possible the market could drive up the price of the asset in such a way that the value could conflict with their utility. Already platforms like ethereum, designed itself to enable the launch of ICOs and other tokenized assets, are facing challenges related to this difficult dynamic.

Still, Carlson said that this is simply a factor that the market will need to take into account as it participates in the offer.

"People need to understand that our token is something that works best when it's combined with mining or its buying into a co-location facility or a landlord of power," he said.

He further said that investors shouldn't conceive of the token as an asset with boundless utility, or that the token would necessarily provide outsized returns directly.

"I don't want people to buy the token thinking it's going to do the moon," he said. "People are going to be willing to pay more than what we're selling for, but it's not a share ownership of a company."



Another factor to keep in mind is that token owners will be served with mining power in a first-come, first-serve manner, meaning those who buy earlier will have access to the token's real-world utility, and the potential earnings from the mining operations.

Launching point

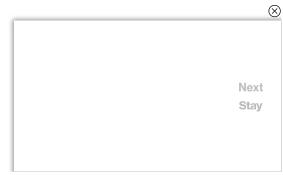
Carlson also stressed the legal work underpinning the offering, which is being issued by Giga Watt's Singaporean entity. (It worked with US law firm Perkins Coie on the structure to ensure that the token wouldn't be deemed a security.)

Carlson said Giga Watt plans to sell 30 million tokens as part of the sale, and he remains confident that potential buyers will capitalize on the opportunity.

"We can offer this to anyone. You can buy one token if that's meaningful to you. A household could buy a few hundred dollars of tokens and buy more tokens later," he said.

For now, Carlson is launching a website to support Giga Watt, which lists its available plans and the costs associated with the purchase. (In a bid for transparency, the firm lets buyers schedule an open house to see the facilities).

On display also are its planned 'Giga Pod' units: mining warehouses that Carlson said have been optimized for efficiency with the years of expertise gleaned in the operation of MegaBigPower, his former operation.



Until the launch, though, he acknowledged that the market needs to now digest the deal and understand how it works. But he believes, if successful, it could be beneficial for the bitcoin network and investors at large.

Carlson concluded:

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"I firmly feel that every household in America could have a small mining operation. It's a vision and it's possible. But, if the non-miner doesn't understand what the opportunity is, that's the hurdie."

Bitcoin mining image via Giga Watt

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